JURNAL UPI

Jurnal Riset Akuntansi dan Keuangan

Journal homepage: https://ejournal.upi.edu/index.php/JRAK/

Can Transparency In Shareholders' Rights Allocation Minimize Creative Accounting and Agency Conflict?

Mahendra Kusumai[1], Miladiah Kusumaningarti[2], Abdul Hadi Bin Ahamad[3], Alfredo Dos Santos[4]*

[1,2]Universitas Islam Kadiri, Indonesia, [3]Universiti Teknologi MARA, Malaysia, [4]Universidade Dili, Timor Leste
*Correspondence: E-mail: marhaenis@uniska-kediri.ac.id

A B S T R A C T

This study examines the agent-principal and majority-minority principal interest relationships in creative accounting and examines the moderating role of transparency in allocation of rights in these relationships. A sample of 540 companies listed on the Indonesian Stock Exchange (IDX) from 2020 to 2024 with observational data of 2,641 firm-years. Result show that transparency in profit allocation rights can weaken the emergence of agency problems and creative accounting in the form of earnings management. Robustness test results show consistent results when creative accounting is measured by income smoothing. Additional test results indicate that transparency in equity allocation rights also contributes to weakening agency conflicts and creative accounting. This study is original, examining whether type 1 and type 2 agency problems can spur the emergence of creative accounting, and whether transparency in the allocation of rights to net income and assets can weaken the emergence of creative accounting.

I N F O A R T I K E L

Article History:
Submitted/Received 5 June 2024
First Revised 16 June 2024
Accepted 27 June 2025
First Available online 1 August 2025
Publication Date 7 August 2025

Keyword:
agency type 1; agency type 2; creative accounting; transparency rights.

1. INTRODUCTION

Agency problems and creative accounting actions are always interesting to study. Both are interrelated, when associated with fraud theory (Cressey, 1953), the existence of agency problems opens up opportunities to carry out creative accounting actions, because agents are faced with situations that stimulate them to do so, have opportunities, capabilities, and also for reasons of rationalization. Agency conflicts will continue to arise, especially in large entities with significant public ownership. One of the negative impacts of this agency conflict, from an accounting perspective, is the decline in the quality and relevance of financial reporting, as an output of creative accounting actions, be it earnings management (Haq et al., 2024), income smoothing (Fabio et al., 2021), tax avoidance (Wongsinhirun et al., 2024) and even fraudulent financial reporting (Zhang et al., 2018). Various policy efforts have been made to minimize the impact of this agency conflict, such as the implementation of good corporate governance (Tjahjadi et al., 2021), including through optimizing the role of the board of commissioners, share ownership by agents, optimizing agent welfare through salaries and incentives (Kerr et al., 2024), and from the side of the mediator, namely optimizing the professionalism and integrity of independent auditors (Al-Hiyari et al., 2024) and pressure from the media (Wang et al., 2025).

Efforts to minimize agency conflicts that encourage creative accounting actions are also carried out by Financial Accounting Standards (SAK), namely through a policy of presenting more transparent and fair consolidated financial statements. This form of transparency and fairness is manifested in the presentation of the allocation of rights to profit and rights to the entity's net assets to all types of owners in the profit and equity items attributed to the majority shareholder (hereinafter abbreviated as OPE) and minority shareholders in subsidiaries with non-controlling interests (hereinafter abbreviated as NCI). This policy has long been implemented in Indonesia, precisely since SAK converged with IFRS, but there have been few studies that provide empirical evidence of the role of transparency policies for allocation of profit rights and net wealth rights to OPE and NCI in minimizing agency conflicts that spur creative accounting actions. Kusuma & Athori (2023) tested the market reaction to information on profit attributed to OPE and NCI. Kusuma & Agustin (2024) tested the ability of profit and equity attributed to OPE and NCI in predicting investment returns. Kusuma Buton tested the response coefficient of profit attributed to OPE and NCI. Kusuma et al., (2021) tested the value relevance of using modifications to profitability measurements by involving profit attributed to OPE and NCI, but studies that specifically test the role of transparency policies for allocation of profit rights and net wealth rights to OPE and NCI in minimizing agency conflicts that spur creative accounting actions have not been widely conducted.

Novelty of this study is investigate conflict of interest between the agent-principal (management vs shareholders) and the principals (OPE vs NCI) can spur the emergence of creative accounting actions, in order to fulfill the interests of one party through financial reporting. Second, whether the existence of the SAK policy on the obligation to present profit and equity attributed to OPE vs NCI as a form of transparency in the allocation of rights to profit and net assets, can reduce the impact of the conflict of interest between the agent-principal and the principals on the emergence of creative accounting. The urgency of this study is to provide empirical evidence of the benefits of the SAK policy on the obligation to present profit and equity

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

attributed, because this policy makes the appearance of financial statements less concise and inefficient. Financial statements become longer with more content, which has the potential to confuse users and cover up other more important information. Academically, filling the literature gap on the moderating role of profit and equity transparency policies to all stakeholders' interests in minimizing creative accounting. For investors, consideration in deciding investment policies by considering the transparency of information in accordance with their future position as OPE or NCI. For DSAK IAI, input in developing accounting standards related to the relevance of OPE and NCI values.

LITERATURE REVIEW

Agency Theory Type 1 and Type 2

Agency theory (Jensen & Meckling, 1976) states that in a company with separation of principals and agents causes differences in access to information about the company and differences in interest orientation between the two. This is then called a type 1 agency conflict (Purkayastha et al., 2022). The principal's interest orientation is dividends, as a return on the investment they have invested in the company. Meanwhile, the agent's interest orientation is salary and bonuses, as a return on the sacrifice of time and energy working in the company (Athori & Kusuma, 2023). This difference in interest can spur fraud and have influence on financial reporting’s quality which indicates earnings management (Dechow et al., 1995). Not only between principals and agents, in companies with significant public ownership, the difference in the number of shareholdings between majority and NCI shareholders also causes differences in access to information about the company and differences in interest orientation between the two. This is then referred to as type 2 agency connection (Purkayastha et al., 2022). The orientation of the interests of the majority shareholders is the right to control the company and the maximum possible dividends for them. While the orientation of the interests of the minority is dividends according to the proportion of their ownership and capital gains from stock price fluctuations (Kusuma, 2021a).

Fraud Theory

The triangle fraud theory (Cressey, 1953) states that someone commits fraud because of encouragement, opportunity and rationalization. In type 1 agency conflict, a manager as an agent commits fraudulent financial reporting in the form of earnings management actions, because of the encouragement of large salaries and bonuses, opportunities because they have access to information, and rationalization of earnings management actions are common actions (Wahyudi et al., 2024). In type 2 agency conflict, a majority shareholder in a company carries out earnings management actions, because of the urge to get the most optimal dividends, the opportunity to have power, control, and voting rights, and the rationalization of the fairness of earnings management actions (Kusuma & Agustin, 2024). Financial reporting fraud can be in the form of earnings management (Kusuma et al., 2022), income smoothing (Kusuma, 2023a), tax avoidance (Kusuma & Rahayu, 2022), which can have an impact on decreasing the quality of information (Kusuma & Saputra, 2022);(Kusuma & Kusumaningarti, 2023), decreasing the relevance of financial reporting values (Kusuma, 2021a); (Kusuma, Zuhroh, et al., 2021) and in the long term can have an impact on profitability (Andriana et al., 2025); predictive power (Kusuma, 2020) and market player reactions (Kusuma et al., 2025). Fraudulent presentation of financial statements

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

will mislead users in decision making because financial statements are a source of information in fundamental analysis measuring the profitability with ROA (Kusuma, 2021a), ROE ratio (Kusuma, Assih, et al., 2021), net profit margin (Murdiyanto & Kusuma, 2022) and financial distress (Kusuma, 2024); (Kusuma, 2023c). Fraudulent presentation of financial statements will also result in high audit fees (Kusuma & Luayyi, 2024) and long audit completion times (Agustin & Kusuma, 2024) because auditors need additional resources to minimize audit risks from fraudulent presentation of financial statements.

Parent Theory dan Entity Theory

Parent theory and entity theory are related to the presentation of NCI rights in subsidiaries in financial statements consolidation. According to parent theory, minority shareholders in subsidiaries are not recognized as owners presenting the financial statements consolidation, so that in the statement of financial position they are not presented on the equity side, but are presented separately between liabilities and equity (Athori & Kusuma, 2023). In the consolidated income statement, the rights of minority shareholders in subsidiaries are presented as expenses. This is in contrast to entity theory, according to entity theory, minority shareholders in subsidiaries are recognized as owners of the company presenting the consolidated financial statements, even though their shares are in the subsidiary and the amount is small, so that in the statement of financial position their rights are presented on the equity side, by disaggregating total equity into: 1) equity attributable to owners of the parent entity, as an allocation of the majority shareholder's rights to the company's net assets, and 2) equity attributable to non-controlling interests, as an allocation of the minority shareholder's rights to the company's net assets (Sotti, 2018).

Hypothesis Development

Presentation of consolidated income statements according to entity theory, the rights of minority shareholders in subsidiaries are not presented as expenses, but rather as an allocation of profit by disaggregating total net profit and comprehensive profit into: 1) profit attributable to owners of the parent entity, as an allocation of the rights of majority shareholders over the company's profitability performance, and 2) profit attributable to non-controlling interests , as an allocation of the rights of minority shareholders over the company's profitability performance (Kusuma, 2023b). Since its effectiveness on June 1, 2009, the Indonesian Financial Accounting Standards (SAK) have adopted entity theory in presenting consolidated financial statements, from previously adopting parent theory since SAK January 1, 1994. Financial statements based on entity theory are considered more appropriate than parent theory because: 1) they recognize minority shareholders as owners of the group entity, 2) they are more transparent in dividing the entity's net assets and dividing performance achievements through the presentation policy of attributable profit and equity, so it is suspected that this policy is able to reduce earnings management actions due to agent-principal conflicts (type 1 agency conflicts) and principal-principal conflicts (type 2 agency conflicts) (Kusuma, 2023c).

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

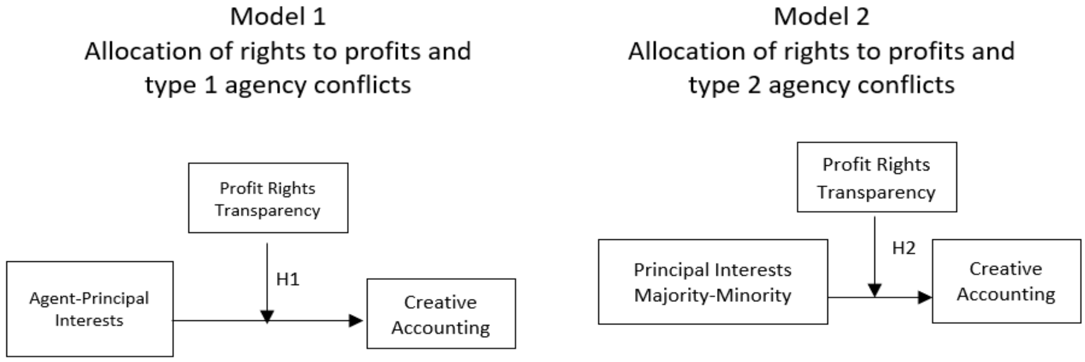

Figure 1. Conceptual framework of the research.

The explanation of the image above is as follows: conflict between the agent-principal and the principals is suspected of spurring the emergence of creative accounting (arrow direction X to Y), where the purpose of conducting creative accounting is to fulfill the interests of one party through financial reporting, at the expense of the interests of the other party. Creative accounting reduces the quality and relevance of the value of financial reporting. The existence of the SAK policy on the obligation to present profit earnings and equity attributed as a form of transparency in the allocation of rights to profit and net assets, is suspected of being able to reduce the impact of conflicts agent-principal and the principals on the emergence of creative accounting. Based on the agency theory type 1 and type 2, fraud theory, entity theory and the results of previous studies, the hypothesis in this study is:

H1 : Transparency in the allocation of rights to profits (attributable profits) weakens the interests of principal-agents (type 1 agency conflict) to carry out creative accounting.

H2 : Transparency in the allocation of profit rights (attribution of profit) weakens the interests of the majority-minority shareholders to carry out creative accounting.

2. METHODOLOGY

This research is a quantitative research. Secondary data was obtained from the financial statements of companies listed on the Indonesia Stock Exchange in the period 2020-2024 with a population of 917 companies. The sample selection method was purposive sampling and obtained a sample of 540 companies and observation data n = 2,641, with the following details:

Table 1. Sample Selection Criteria

Criteria	Quantity
Population IDX for the period 2020-2024	918
Reduced:	
Listed after 2020	(205)
Financial reports are not routine	(116)
Incomplete information on transparency of rights allocation	(57)
Sample	540
Sample x Period	2.160
Outlier data	(75)
Observation data	2.085

Source : Galeri Investasi, Universitas Islam Kadiri, 2025.

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

Dependent variable is creative accounting action proxied by earnings management. Measurement using Accrual Disscretioner (Dechow et al., 1995). Earnings management shows the occurrence of fraud on reporting earnings value according to the interests of one stakeholder by ignoring the interests of other stakeholders through management's capability to exploit gaps in SAK policies. The independent variables in this study are type 1 agent-principal agency conflict and type 2 agency conflict. In type 1 agency conflict, the agent's interests are proxied by salary and bonus. Salary and bonus expenses represent the interests of management who act as agents with wider access to information and know the company's operational and strategic activities. The principal's interests are proxied by the Dividend Payout Ratio (DPR). Dividends represent the interests of shareholders in the company as a return on investment in shares in the company. In type 2 agency conflicts, the interests of the majority shareholders' principals are proxied by dividends for the owners of the parent entity, which represent the interests of the majority shareholders with dominant shares, large voting power in the GMS, representation on the board of directors and commissioners and various forms of control rights and other powers. The interests of the minority shareholders' principals are proxied by dividends for the interests of NCI, which represent the interests of minority shareholders. Transparency of rights allocation as a moderating variable, consists of: 1) allocation of rights to net profit as a reflection of performance achievements and proxied by the ratio of OPE and NCI's net income. 2) Allocation of rights to equity as a reflection of the net wealth of shareholders in the company is proxied by the ratio of equity attributable to OPE and NCI. The detailed measurement of the variables is explained in the following table:

Table 2. Variables and Measurements

Variables			Notation	Measurement
Dependen Variable				
Creative Accounting	Earnings management	Discretionary Accruals (DA) (Modified Jones Model, Decow, 1995)	$DA_{i,t}$	$\frac{\text{Total Accruals}}{\text{Total Assets}}$ - Non-DA
Independen Variable				
Agency conflict type 1	Agent interests	Salary and bonus	$SE_{i,t}$	$\frac{\text{Salary Expenses}_{,t}}{\text{Total Sales}_{i,t}}$
	Principal interests	Dividen Payout Ratio	$DPR_{i,t}$	$DPR_{i,t}=\frac{\text{Dividend}_{,t}}{\text{Net Income}_{i,t}}$
Agency conflict type 2	Prinsipal *majority shareholders*	Dividen for *majority shareholders*	$MAJOR_{i,t}$	Procentage *majority shareholders**DPR
	Prinsipal *minority shareholders*	Dividen for *minority shareholders*	$MINOR_{i,t}$	Procentage *minority shareholders**DPR
Moderation Variables				
Transparency of rights allocation	Right to profit	Net Income Attributable to Owners	$NIAO_{i,t}$	$\frac{\text{Net Income for NCI}_{,t}}{\text{Net Income for OPE}_{,t}}$
	Rights to net assets (equity)	Equity Attributable to Owners	$EAO_{i,t}$	Equity Attributable

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

			to Non-Controlling Interest$_{,t}$ / Equity Attributable to Parent$_{,t}$
Control Variable			
Company size	Firm Size	$SIZE_{i,t}$	Log N Total Assets$_{i,t}$
Leverage	Debt to Assets Ratio	$DAR_{i,t}$	Total of Debt$_{,t}$ / Total of Equity$_{i,t}$
Type of industry	TYPE	TYPE	Multiple Dummy Variable for 9 type of industry
Period	YEAR	YEAR	Multiple Dummy Variable for Period of the Data

The effect of management interests (SE) and principal interests (DPR) on earnings management (DA) with moderation of transparency of profit allocation rights (NIAO) (Model 1):

$$DA_{i,t} = \alpha_0 + \beta_1 SE_{i,t} + \beta_2 DPR_{i,t} + Control + \varepsilon_{i,t} \ (1a)$$

$$DA_{i,t} = \alpha_0 + \beta_1 SE_{i,t} + \beta_2 DPR_{i,t} + \beta_3 NIAO_{i,t} + \beta_4 (SE * NIAO)_{i,t} + \beta_5 (DPR * NIAO)_{i,t} + Control + \varepsilon_{i,t} \ (1b)$$

The influence of the interests of the majority principal (MAJOR) and the interests of the minority principal (MINOR) on earnings management (DA) with the moderation of transparency of allocation of rights to profits (NIAO) (Model 2):

$$DA_{i,t} = \alpha_0 + \beta_1 MAJOR_{i,t} + \beta_2 MINOR_{i,t} + Control + \varepsilon_{i,t} \ (2a)$$

$$DA_{i,t} = \alpha_0 + \beta_1 MAJOR_{i,t} + \beta_2 MINOR_{i,t} + \beta_3 NIAO_{i,t} + \beta_4 (MAJOR * NIAO)_{i,t} + \beta_5 (MINOR * NIAO)_{i,t} + Control + \varepsilon_{i,t} \ (2b)$$

Robustness test for consistency of the hypothesis when using different proxy variables. In this study, robustness test is conducted by measuring creative accounting with income smoothing using the Eckel Index formulation, where in the previous model using the Jones Model Modified. Additional Test is conducted to test the moderating role of equity policy attribution as a representation of transparency of net asset rights to shareholders. Moderation of transparency of allocation of net asset rights (equity attribution) on type 1 agency conflict (agent-principal) (Model 3) and on type 2 agency conflict (principal-principal) (Model 4). The influence of management or agent interests (SE) and principal interests (DPR) on earnings management (DA) with moderation of transparency of allocation of net asset rights (EAO) is developed in Model 3 as follows:

$$DA_{i,t} = \alpha_0 + \beta_1 SE_{i,t} + \beta_2 DPR_{i,t} + Control + \varepsilon_{i,t} \ (3a)$$

$$DA_{i,t} = \alpha_0 + \beta_1 SE_{i,t} + \beta_2 DPR_{i,t} + \beta_3 EAO_{i,t} + \beta_4 (SE * EAO)_{i,t} + \beta_5 (DPR * EAO)_{i,t} + Control + \varepsilon_{i,t} \ (3b)$$

The influence of the interests of the majority principal (MAJOR) and the interests of the minority principal (MINOR) on earnings management (DA) with the moderation of transparency of allocation of rights to net assets (EAO) is developed in the following Model 4:

$$DA_{i,t} = \alpha_0 + \beta_1 MAJOR_{i,t} + \beta_2 MINOR_{i,t} + Control + \varepsilon_{i,t} \ (4a)$$

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

$$DA_{i,t} = \alpha_0 + \beta_1 MAJOR_{i,t} + \beta_2 MINOR_{i,t} + \beta_3 EAO_{i,t} + \beta_4 (MAJOR * EAO)_{i,t} + \beta_5 (MINOR * EAAO)_{i,t} + Control + \varepsilon_{i,t} \ (4b)$$

3.. RESULT AND DISCUSSION

DATA ANALYSIS

The following table 3 results of descriptive statistics and correlation analysis results. The average value of discretionary accruals is 0.0222. The average value of salary, allowances and management incentives as a representation of agent interests is 0.05229. The average value of attributable profit is 0.0443 and attributable equity is 0.055. Transparency of profit rights allocation is negatively correlated to profit management 0.723** as well as transparency of equity rights allocation, negatively correlated to profit management with a correlation coefficient of 0.461**. This means that the more transparent the distribution of profit rights and equity, the smaller the chance of creative accounting in the form of profit management

Tabel 3. Result of Descriptive Statistics & Correlations Analysis

Variable	Mean	Min	Max	Std. Dev	Var	Mean	Min	Max	Std. Dev
Panel A. Result of Descriptive Statistics									
DA	.02229	.019	.025	.002003	EAO	.05529	.000	.176	.068264
SE	.05229	.017	.111	.039101	SIZE	18.349	15.807	20.983	1.951101
DPR	.53143	.236	1.151	.316577	DAR	.56900	.342	.857	.199871
NIAO	.04443	.000	.227	.077414					

Panel B. Result of Correlations Analysis

	DA	SE	DPR	NIAO	EAO	SIZE	DAR
DA	1						
SE	.632**	1					
DPR	.539**	-.230	1				
NIAO	.723**	.739**	-.244	1			
EAO	.461**	.975**	-.369*	.836**	1		
SIZE	-.866**	-.911**	-.174	-.637**	-.824**		
DAR	-.881**	-.304	-.806**	-.077	-.134	.668**	1

*for 1% and **for5%.

Source : Data to be processed, 2025

H1 that transparency of profit allocation rights (attributed profit) weakens the interests of principal-agent (type 1 agency conflict) to conduct creative accounting, is accepted because the coefficient β1SE 0.302 (6.114)* and the coefficient β4SE*NIAO in equation 1.b 0.297 (6.385)* are lower than β1SE in equation 1.a of 0.577 (8.278)**. H2 that transparency of profit allocation rights (attributed profit) weakens the interests of majority-minority shareholders principals to conduct creative accounting, is accepted if the coefficient β1MAJOR 0.334 (6.114)* and the coefficient β4MAJOR*NIAO in equation 2.b 0.278 (6.345)* are lower than β1MAJOR in equation 2.a of 0.250 (8.647)**.

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

Table 4. Hypothesis Testing Results

Variable	Coefficient Resgression, t count and p value (Y = DA)	
	Model 1.a	Model 1.b
Panel A. Agent-Principal (Conflict Type 1)		
Constant	0.314 (0.716)*	0.490 (0.506)*
SE	0.577 (8.278)**	0.302 (6.114)*
DPR	0.425 (5.938)**	0.483 (5.712)**
NIAO	-	–0.511 (8.458)**
SE*NIAO	-	0.297 (6.385)*
DPR*NIAO	-	0.302 (6.092)*
SIZE	0.536 (5.045)*	0.594 (5.156)*
DAR	–0.045 (5.014)	–0.032 (5.664)
TYPE	YES	YES
YEAR	YES	YES
F-Statistics	10.781	9.902
Adjusted R^2	34.17%	33.06%

Panel B. Principal-Principal (Conflict Type 2)

Variable	Coefficient Resgression, t count and p value (Y = DA)	
	Model 2.a	Model 2.b
Constant	0.319 (0.523)*	0.512 (0.574)*
MAJOR	0.250 (8.647)**	0.334 (6.114)*
MINOR	0.431 (5.785)**	0.483 (5.723)**
NIAO	-	–0.556 (8.743)**
MAJOR*NIAO	-	0.278 (6.345)*
MINOR*NIAO	-	0.390 (6.056)*
SIZE	0.542 (5.869)*	0.501 (5.176)*
DAR	–0.045 (5.014)	–0.049 (5.081)
TYPE	YES	YES

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

YEAR	YES	YES
F-Statistics	10.	9.902
Adjusted R^2	34.17%	33.06%

Level significant of regression coefficient ***, **, * = 1%, 5%, 10%

Source : Data to be processed by researcher, 2025.

Robustness Test Results

Consistent with the hypothesis testing, when creative accounting is measured by income smoothing (Eckel Index), where in the hypothesis testing creative accounting is measured by earnings management (Jones Model Modified). The transparency policy of profit allocation rights (attributed profit) can weaken the interests of the principal-agent (type 1 agency conflict) and the interests of the majority-minority shareholders (type 2 agency conflict) to carry out creative accounting, both measured by earnings management and income smoothing.

Table 5. Robustness Test Results

Variable	Coefficient Resgression, t count and p value (Y = Inc.Smoothing)	
	Model 1.a	Model 1.b
Panel A. Agent-Principal (Conflict Type 1)		
Constant	0.349 (0.705)*	0.476 (0.587)*
SE	0.516 (8.735)**	0.368 (6.159)*
DPR	0.482 (5.694)**	0.391 (5.428)**
NIAO	-	–0.537 (8.436)**
SE*NIAO	-	0.255 (6.264)*
DPR*NIAO	-	0.273 (6.182)*
SIZE	0.507 (5.581)*	0.519 (5.019)*
DAR	–0.042 (5.033)	–0.018 (5.014)
TYPE	YES	YES
YEAR	YES	YES
F-Statistics	10.24	9.27
Adjusted R^2	33.15%	31.36%

Panel B. Principal-Principal (Conflict Type 2)

Variable	Coefficient Resgression, t count and p value (Y = Inc.Smoothing)	
	Model 2.a	Model 2.b

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

Constant	0.319 (0.508)*	0.574 (0.536)*
MAJOR	0.297 (8.686)**	0.125 (6.114)*
MINOR	0.457 (5.546)**	0.203 (5.792)**
NIAO	-	–0.518 (8.071)**
MAJOR*NIAO	-	0.196 (6.850)*
MINOR*NIAO	-	0.247 (6.678)*
SIZE	0.535 (5.424)*	0.535 (5.142)*
DAR	–0.041 (5.393)	–0.033 (5.261)
TYPE	YES	YES
YEAR	YES	YES
F-Statistics	10.822	9.105
Adjusted R^2	35.62%	34.17%

Level significant of regression coefficient ***, **, * = 1%, 5%, 10%

Source : Data to be processed by researcher, 2025.

Additional Test

Additional test shows that the results are consistent with the hypothesis testing, when testing the moderating role of equity attribution policy as a representation of transparency of net asset rights to shareholders. Attributable profit (NIAO) is replaced by attributable equity (EAO).

Table 6. Additional Test Results

Variable	Coefficient Resgression, t count and p value (Y = DA)	
	Model 3.a	Model 3.b
Panel A. Agent-Principal (Conflict Type 1)		
Constant	0.339 (0.714)*	0.402 (0.521)*
SE	0.462 (8.35)**	0.334 (6.104)*
DPR	0.456 (5.561)**	0.301 (5.769)**
EAO	-	–0.514 (8.78)**
SE*EAO	-	0.274 (6.387)*
DPR*EAO	-	0.301

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

		(6.96)*
SIZE	0.502 (5.239)*	0.551 (5.349)*
DAR	–0.044 (5.438)	–0.033 (5.512)
TYPE	YES	YES
YEAR	YES	YES
F-Statistics	10.675	9.197
Adjusted R^2	37.82%	35.06%

Panel B. Principal-Principal (Conflict Type 2)

Variable	Coefficient Resgression, t count and p value (Y = DA)	
	Model 4.a	Model 4.b
Constant	0.319 (0.531)*	0.502 (0.524)*
MAJOR	0.314 (8.535)**	0.218 (6.146)*
MINOR	0.473 (5.76)**	0.317 (5.787)**
EAO	-	–0.569 (8.789)**
MAJOR*EAO	-	0.203 (6.30)*
MINOR*EAO	-	0.311 (6.187)*
SIZE	0.525 (5.434)*	0.563 (5.154)*
DAR	–0.045 (5.016)	–0.046 (5.707)
TYPE	YES	YES
YEAR	YES	YES
F-Statistics	10.381	9.249
Adjusted R^2	35.18%	34.29%
Level significant of regression coefficient ***, **, * = 1%, 5%, 10%		

Source : Data to be processed by researcher, 2025.

Discussion

Moderation of attributable profit in the influence of agent-principal on CA (Model 1)

Agent interests have a positive effect on creative accounting. Periodic increase or stability of salary and bonus, encourages management to take profit management actions. Especially if their performance is only based on profit, as a manifestation of management's ability to manage assets and operational activities in order to generate profit as a measure of profitability. Principal interests have a positive effect on creative accounting. Dividends are paid based on profit value. The greater the profit value, the higher the ability to pay dividends. Principals with significant share ownership will be able to speak in the GMS, regarding dividend payment policies. Principals with

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

significant share ownership have representation on the board of directors and board of commissioners who can bridge dividend policies that favor them.

Transparency policy on allocation of rights to profit, both net profit attributable and comprehensive profit attributable, weakens the interests of agents and principals to take creative accounting actions. Financial reporting policies in presenting attributable profit to PAO and NCI represent transparency of information on the distribution of profit sharing to PAO and NCI, where profit is a measure of performance. This transparency policy of profit reporting fraud will be easily detected by the principal or shareholder, thus weakening the agent's desire to do so. The transparency policy of profit allocation rights, both net profit attributable and comprehensive profit attributable, weakens the principal's interests through their power, control rights, connections and representation to carry out creative accounting actions. With transparency of profit distribution, it is easier for users to predict future investment returns (Kusuma, 2021b) and clearly inform how much profit is the right of PAO and NCI according to their proportion of ownership, so that the predictive power of profit becomes strong. The transparency policy of profit allocation rights in the consolidated financial statements is able to minimize information asymmetry between the agency-principal so as to reduce the potential for type 1 agency conflict. Second, transparency of rights allocation through the profit attributable policy is able to minimize the agent's urge to commit fraud, also closes the opportunity and breaks the agent's rationalization of committing financial reporting fraud that tends to favor his interests.

Moderation of attributed profit in the influence of principals on CA (Model 2)

The interests of the majority principal have a positive effect on creative accounting. The greater the profit generated, the greater the allocation of profit attributed to OPE as the majority shareholder. The greater the profit attributed to OPE, the greater the dividend income received. The interests of the minority principal have a positive effect on creative accounting. The greater the profit generated, the greater the allocation of profit attributed to NCI as the majority shareholder. The greater the profit attributed to NCI, the greater the dividend income received. The policy of transparency of the allocation of rights to profit weakens the influence of the interests of the principal on fraudulent financial reporting. The policy of transparency of the allocation of rights to profit in the consolidated financial statements is able to minimize the information asymmetry between the majority and minority so as to reduce the potential for type 2 agency conflict. Transparency of the allocation of rights through the policy of attributed profit is able to minimize the incentives of agents to commit fraud, as well as close the opportunity and break the rationalization of agents to commit fraudulent financial reporting that tends to favor their interests. The results of the robustness test show that the consistency of the hypothesis is tested when different proxy variables are used to measure creative accounting with income smoothing using the Eckel Index formulation, where the previous hypothesis testing model used the Modified Jones Model. The results of additional analysis tests show that transparency in the allocation of rights to net assets (equity attribution policy) weakens the influence of agent-principal interests (model 3) and principal-principal interests (model 4) on fraudulent financial reporting. Transparency in the allocation of rights to equity is able to weaken the influence of principal-principal conflict on fraudulent financial reporting. This is because by providing open access to

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

information, how much profit allocation as a reflection of the right to performance achievements) and how much equity allocation (as a reflection of the right to net assets), it makes it easier for principals to predict investment returns according to their share ownership, the form of openness, fairness of information and recognition of the existence of NCI. This finding is in line with the results of (Kusuma & Agustin, 2024)'s research.

4. CONCLUSION

The problem of this research is whether the transparency of the allocation of rights to profit and net assets can weaken the agency conflict against fraudulent financial reporting? Based on the results of data processing, the answer to the question is that it can weaken. The results of hypothesis testing show the findings that the transparency of the allocation of rights to profit (in the form of presentation of net profit attributed to the owners of the parent entity and to owners with non-controlling interests in the consolidated net income statement) and the transparency of the allocation of rights to net assets (in the form of presentation of equity attributed to OPE and NCI in the consolidated financial position statement), are proven to be able to weaken the influence of agent interests and principal interests (agency problem type 1) on fraudulent financial reporting, and the interests of the majority shareholders and minority shareholders (agency problem type 2) on fraudulent financial reporting, especially creative accounting actions in the form of earnings management and income smoothing.

The agent's right is to obtain welfare as a return on investment of energy, time and other resources in managing the company professionally. The agent's welfare is reflected in the amount of salary, allowances and other incentives received from the company. The principal's right is to obtain welfare as a return on investment of funds to finance the company's activities. The principal's welfare is reflected in the amount of dividends received from the company. The company can have several subsidiaries and associate entities. Such a company reflects a large business scale, large size and high frequency of economic transactions. In such circumstances, the company must present consolidated financial statements which are a combination of the financial reporting of the parent company with subsidiaries and associates. In such circumstances, the principals become diverse. The proportion of the number of shareholdings causes the emergence of the parent entity owner as the majority shareholder in the company group, and NCI. Differences in information about the company, power, policies and ethical behavior cause the majority agent and principal to prioritize their interests over the interests of the minority principal through creative accounting actions in presenting financial statements. Company policy is more prioritized for optimizing salaries and allowances than for paying dividends. However, this problem can be minimized and prevented, in addition to optimizing the role of the board of commissioners and the professionalism of independent external auditors, as well as the quality of financial reporting. Transparent financial reports, presenting the allocation of rights to profit and equity in the profit and equity attribution policy can weaken creative accounting actions and minimize agency problems.

The policy of transparency in the allocation of rights to profit and equity in financial statements consolidation is able to minimize information asymmetry between the principal-agency and

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

principal-principal so as to reduce the potential for type 1 agency conflicts and type 2 agency conflicts. This is because: first, transparency in the allocation of rights through the profit and equity attribution policy is able to minimize the incentives of agents to commit fraud, also closes the opportunity and breaks the rationalization of agents to commit financial reporting fraud that tends to favor their interests. Second, by providing open access to information, how much profit allocation as a reflection of the right to performance achievements) and how much equity allocation (as a reflection of the right to net assets), so that it makes it easier for principals to predict investment returns according to their share ownership, a form of openness, fairness of information and recognition of the existence of NCI.

The theoretical meaning of this study is that the SAK policy on the obligation to present net income attributed to two types of owners as a form of transparency of the allocation of rights to profit and the obligation to present equity attributed to two types of owners as a form of transparency of the allocation of rights to net assets in the consolidated financial statements, which makes the appearance of the financial statements less concise and inefficient, with a longer form and more content, has been proven not to confuse users and does not cover up other more important information. This policy is actually beneficial for users because it has been proven to minimize agency problems type 1 and type 2 and fraudulent financial reporting. This is in line with the triangle fraud theory (Cressy, 1958) that one of the causes of fraud is because of the opportunity, and the existence of a policy of net income attributed and equity attributed as a form of transparency of the allocation of rights, narrows the opportunity to commit fraud through creative accounting actions. The practical meaning of this study is that the transparency of the allocation of rights through the policy of net income attributable and equity attributable in the consolidated financial statements is useful information for investors in using profit and equity information to evaluate performance and predict future investment returns according to the number of shares owned, whether the investor is positioned as a majority shareholder (owner of the parent entity) or as a principal minority shareholder (non-controlling interest).

The limitation of this study is that it has not combined the role of external factors, namely the integrity of the independent auditor. Further research is suggested to develop the model in this study by including the variable of independent auditor integrity combined with the transparency of the allocation of shareholder rights, namely the profit policy and equity attributable as an internal factor. in minimizing creative accounting & agency conflict. Suggestions for investors, the results of this study are that in deciding investment policies, they should pay attention to the transparency of information that is in accordance with the position of the investor later as OPE or NCI. For DSAK IAI, it is suggested to develop accounting standards related to the relevance of OPE and NCI values, for example with the policy of operational profit attributable.

5. REFERENCE

Agustin, B. H., & Kusuma, M. (2024). Pengaruh Penghasilan Komprehensif Lain & Laba yang Diatribusikan Terhadap Audit Report Lag. *Jurnal Proaksi*, *10*(4), 739–752. https://doi.org/10.32534/jpk.v11i4.6323

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

Al-Hiyari, A., Kolsi, M. C., Lutfi, A., Shakkour, A. S., & aljumah, A. I. (2024). Information asymmetry and dividend payout in an emerging market: Does corporate governance quality matter? *Journal of Open Innovation: Technology, Market, and Complexity*, *10*(1), 100188. https://doi.org/10.1016/j.joitmc.2023.100188

Andriana, R., Kusuma, M., Kasim, C. M. M., & Barreto, C. A. (2025). The Effect of Marketing Activities on Profitability With Others Comprehensive Income As Moderation: Evidence from Southeast Asia. *Ekuilibrium: Jurnal Ilmiah Bidang Ilmu Ekonomi*, *20*(1).

Athori, A., & Kusuma, M. (2023). Effect of Others Comprehensive Income on Company Value by Mediation of Retained Earnings: Evidence From Indonesia. *JCA (Jurnal Cendekia Akuntansi)*, *4*(2), 141. https://doi.org/10.32503/akuntansi.v4i2.4580

Cressey, D. R. (1953). Other people’s money: A study in the social psychology of embezzlement. *The American Journal of Sociology*.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting Earnings Management. *The Accounting Review*, *70*(20), 193–225.

Fabio, C., Ramassa, P., & Quagli, A. (2021). Income Smoothing In European Banks: The Contrasting Effects of Monitoring Mechanisms. *Journal of International Accounting, Auditing and Taxation*, *43*(100385). https://doi.org/https://doi.org/10.1016/j.intaccaudtax.2021.100385

Haq, M., Ongena, S., Pu, J., & Tan, E. K. M. (2024). Do banks engage in earnings management? The role of dividends and institutional factors. *Journal of Banking and Finance*, *168*(August), 107287. https://doi.org/10.1016/j.jbankfin.2024.107287

Jensen, M., & Meckling, W. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*, 305–360. https://doi.org/10.1177/0018726718812602

Kerr, J., Price, R., Román, F., & Romney, M. (2024). Corporate Governance and Tax Avoidance: Evidence From Governance Reform. *Journal of Accounting and Public Policy*, *47*(107232). https://doi.org/https://doi.org/10.1016/j.jaccpubpol.2024.107232

Kusuma, M. (2021a). Measurement of Return on Asset (ROA) based on Comprehensive Income and its Ability to Predict Investment Returns: an Empirical Evidence on Go Public Companies in Indonesia before and during the Covid-19 Pandemic. *Ekuilibrium : Jurnal Ilmiah Bidang Ilmu Ekonomi*, *16*(1), 94. https://doi.org/10.24269/ekuilibrium.v16i1.3238

Kusuma, M. (2021b). Modification of Profitability Measures with Comprehensive Income and Reclassification of Other Comprehensive Income as A Mediation of Effects Asset Utilization on Firm Value. *Jurnal Keuangan Dan Perbankan*, *25*(4), 855–879. https://doi.org/10.26905/jkdp.v25i4.6132

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X

Kusuma, M. (2023a). Can the Reclassification of Others Comprehensive Income Narrow Opportunities for Creative Accounting: Earnings Management and Income Smoothing? *Jurnal Akuntansi Dan Keuangan*, *25*(1).

Kusuma, M. (2023c). Pengaruh Kinerja Operasi, Entitas Anak dan Asosiasi Terhadap Laba dan Ekuitas yang Diatribusi : Bukti dari Indonesia. *JCA (Jurnal Cendekia Akuntansi)*, *4*(2), 120. https://doi.org/10.32503/akuntansi.v4i2.4579

Kusuma, M. (2024). Dapatkah Laba Komprehensif Digunakan untuk Memprediksi Financial Distress? *TEMA: Jurnal Tera Ilmu Akuntansi*, *25*(1).

Kusuma, M. (2020). Penghasilan komprehensif lain dan prediksi arus kas masa depan : Bukti dari Indonesia. *Seminar Nasional SENIMA Ke 5 Universitas Negeri Surabaya*, *Senima 5*, 815–832. http://bit.ly/ProsidingSenima5

Kusuma, M., & Agustin, B. H. (2024). Nilai Relevansi Kepentingan Non Pengendali dalam Laporan Keuangan Konsolidasi : Bagaimana Pasar Bereaksi, dan Kemampuannya dalam Memprediksi Laba dan Dividen? *Jurnal Akuntansi Dan Governance*, *4*(2). https://medium.com/@arifwicaksanaa/pengertian-use-case-a7e576e1b6bf

Kusuma, M., Assih, P., & Zuhroh, D. (2021). Pengukuran Kinerja Keuangan : Return on Equity (ROE) Dengan Atribusi Ekuitas. *Jurnal Ilmiah Manajemen Dan Bisnis*, *22*(2), 223–244. https://doi.org/10.30596/jimb.v22i2.7935

Kusuma, M., & Athori, A. (2023). Can Income and Equity Attribution Minimize Agency Costs ? (Effect of Attribution Policy on Earnings Management and Firm Value). *Proceeding Medan International Conference Economics and Business (MICEB)*, *1*(January), 1950–1962. https://proceeding.umsu.ac.id/index.php/Miceb/index

Kusuma, M., Chandrarin, G., Cahyaningsih, D. S., & Lisetyati, E. (2022). Reclassification of Others Comprehensive Income, Earnings Management, and Earnings Quality : Evidence From Indonesia. *Asia-Pacific Management Accounting Journal*, *17*(3), 205–237. https://apmaj.uitm.edu.my/index.php/current/20-cv17n3/165-av17n3-8

Kusuma, M., & Kusumaningarti, M. (2023). Earnings Response Coefficient (ERC) Berbasis Laba Komprehensif dan Laba Diatribusi : Modifikasi Teori Kandungan Laba (Ball & Brown , 1968). *Jurnal Ilmiah Akuntansi Manajemen*, *6*(2), 141–162. https://doi.org/10.35326/jiam.v6i2.4346

Kusuma, M., & Luayyi, S. (2024). Do others comprehensive income, profit, and equity attributable impact external audit fee? *Journal of Accounting and Investment*, *25*(1), 112–136. https://doi.org/10.18196/jai.v25i1.20470

Kusuma, M., Marjukah, A., & Kasim, C. M. M. (2025). The Value Relevance of Unrealised Earnings. *Jurnal Akuntansi Kontemporer (JAKO)*, *17*(1), 12–25. https://doi.org/10.33508/jako.v17i1.5886

Kusuma, M., & Rahayu, P. (2022). Can Others Comprehensive Income Be Used For Tax Avoidance? *Jurnal Akuntansi Dan Keuangan (JAK)*, *24*(2), 68–79. https://jurnalakuntansi.petra.ac.id/

Kusuma, M., & Saputra, B. M. (2022). Pengaruh Fundamental Makro Ekonomi Terhadap Penghasilan Komprehensif Lain dan Persistensi Laba Komprehensif. *Jurnal Kajian Akuntansi*, *6*(1), 145–176.

Kusuma, M., Zuhroh, D., Assih, P., & Chandrarin, G. (2021). The Effect of Net Income and Other Comprehensive Income on Future's Comprehensive Income With Attribution of Comprehensive Income as Moderating Variable. *International Journal of Financial Research*, *12*(3), 205–219.

Murdiyanto, E., & Kusuma, M. (2022). Moderasi Leverage dalam Pengaruh Ukuran Bank dan Aset Keuangan Terhadap Kinerja Keuangan Komprehensif BPR Konvensional dan BPR Syariah Se-Kediri Raya. *Jurnal Ekonika : Jurnal Ekonomi Universitas Kadiri*, *7*(2). http://ojs.unik-kediri.ac.id/index.php/ekonika/index

Purkayastha, S., Veliyath, R., & George, R. (2022). Type I and Type II Agency Conflicts In Family Firms: An Empirical Investigation. *Journal of Business Research*, *153*(December), 285–299. https://doi.org/https://doi.org/10.1016/j.jbusres.2022.07.054

Sotti, F. (2018). The value relevance of consolidated and separate financial statements: Are non-controlling interests relevant? *African Journal of Business Management*, *12*(11), 329–337. https://doi.org/10.5897/ajbm2017.8335

Tjahjadi, B., Soewarno, N., & Mustikaningtiyas, F. (2021). Good corporate governance and corporate sustainability performance in Indonesia: A triple bottom line approach. *Heliyon*, *7*(3), e06453. https://doi.org/10.1016/j.heliyon.2021.e06453

Wahyudi, M., Sari, H. P., & Kusuma, M. (2024). Kualitas Auditor sebagai Pemoderasi Hexagon Fraud Theory, Fraudulent Financial Statement dan Tax Avoidance. *Ekuivalensi : Jurnal Ekonomi Bisnis*, *10*(2), 324–338.

Wang, L., Xue, K., & Luo, D. (2025). Media pressure, corporate governance structure, and disclosure quality. *International Review of Economics and Finance*, *97*(October 2024), 103771. https://doi.org/10.1016/j.iref.2024.103771

Wongsinhirun, N., Chatjuthamard, P., Chintrakarn, P., & Jirapor, P. (2024). Tax Avoidance, Managerial Ownership, And Agency Conflicts. *Finance Research Letters*, *61*(1), 104937. https://doi.org/https://doi.org/10.1016/j.frl.2023.104937W

Zhang, Y., Zhang, Y., & Yao, T. (2018). Fraudulent Financial Reporting In China: Evidence From Corporate Renaming. *Journal of Contemporary Accounting & Economics*, *1*(100283). https://doi.org/https://doi.org/10.1016/j.jcae.2021.100283

DOI: https://doi.org/10.17509/jrak.v13i2.83328
p- ISSN 2338-1507 e- ISSN 2541-061X